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#1233

A FARM LOAN PROGRAM

Recreation Facilities Loans

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A Rural Credit Agency of the
U.S. DEPARTMENT
OF AGRICULTURE

FARMERS HOME
ADMINISTRATION
Program Aid No. 1233

A Farm Loan Program

Recreation Facilities

The Farmers Home Administration (FmHA) makes loans to assist eligible applicants in boosting their incomes by converting all or portions of their farms and ranches into income-producing outdoor recreation enterprises.

Each loan is tailored to the borrower's needs. The FmHA County Supervisor will assist the borrower in analyzing any problems and determining available resources. Assistance is given in planning how these resources, plus those obtained by the loan, may best be used. Visits are made to the borrower's farm to provide advice on adjusting farm and nonfarm operations to the new recreation enterprise and on adopting improved business practices.

Each person applying for credit is given equal consideration without regard to race, color, religion, sex, age, marital status, national origin, or physical or mental handicap (provided the individual possesses the capacity to enter into legal contract services). Facilities or services financed with these loans must be open to the general public on the same basis.

Applications from eligible veterans are given preference.

Recreation facilities loans are made either directly by FmHA or by private lenders and guaranteed by Farmers Home Administration.

How may loan funds be used?

Recreation facilities loans may be used to develop land and water resources; repair and construct buildings; buy land, equipment, and other recreation items and pay necessary operating expenses.

Recreation enterprises that may be financed include:

- Campgrounds and equipment
- Horseback riding stables
- Swimming facilities
- Tennis courts

Shooting preserves
Vacation cottages
Lodges and rooms for visitors
Lakes and ponds for boating and fishing
Nature trails
Hunting facilities
Winter sports areas
Target ranges
Trailer parks

A recreation facility developed with a FmHA loan cannot be for the exclusive use of the farmer-borrower and family. It must be an income-producing enterprise.

Loans may not be used to finance structures or farming enterprises that are inconsistent with Federal, State or local anti-pollution or environmental quality standards and regulations.

Who may borrow?

Individuals, partnerships, cooperatives, and corporations primarily and directly engaged in farming and ranching on family-size operations may apply.

To be eligible, individual applicants must:

1. possess the character, industry and ability to carry out the operation.

2. be a citizen of the United States, including Puerto Rico, the Virgin Islands, Guam, American Samoa, and the Commonwealth of the Northern Mariana Islands.

3. possess the legal capacity to incur the obligations of the loan.

4. be unable to obtain sufficient credit elsewhere at reasonable rates and terms to finance actual needs.

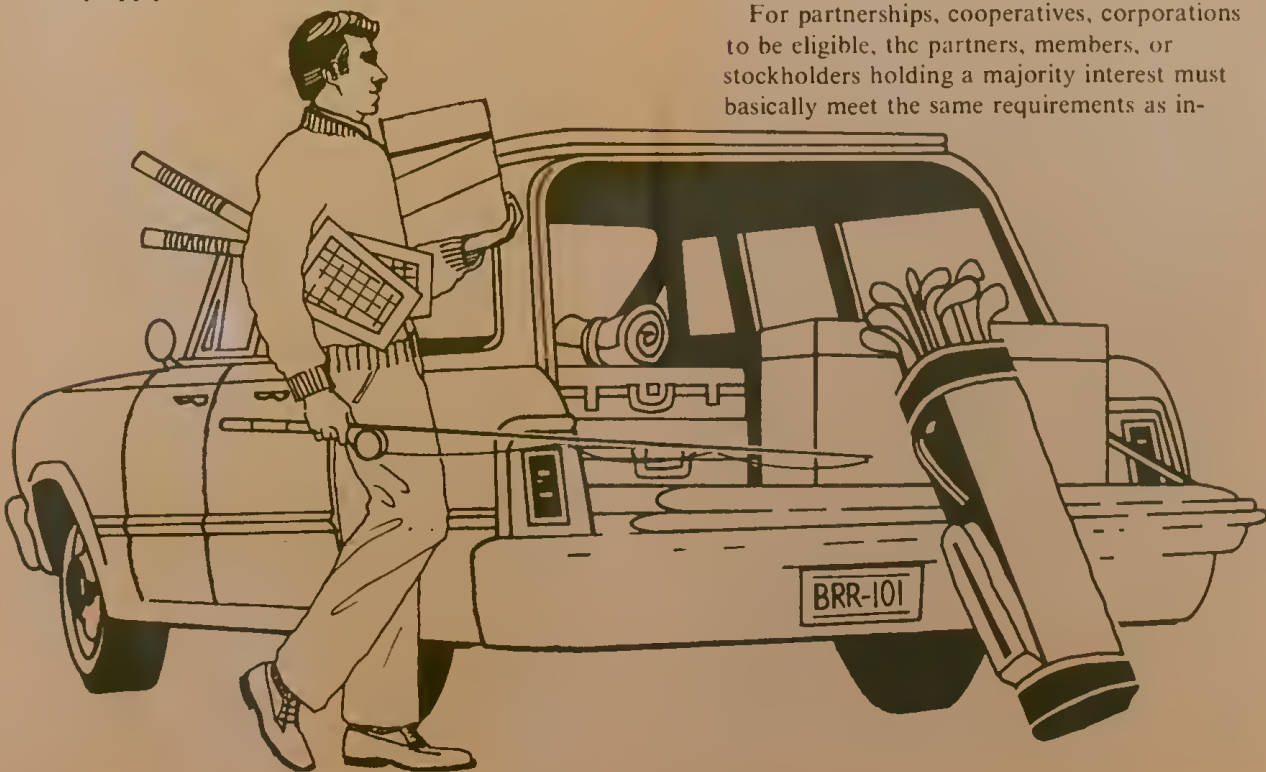
5. be engaged in farming at the time application is made.

6. manage and operate the recreation enterprise after the loan is made.

If operating as a tenant, the applicant must have a satisfactory written lease for a sufficient period of time and under terms that will provide a reasonable return on the recreation enterprise investment.

A farmer with off-farm income, if otherwise eligible may qualify for a loan too.

For partnerships, cooperatives, corporations to be eligible, the partners, members, or stockholders holding a majority interest must basically meet the same requirements as in-



dividuals. There are some requirements which differ; your FmHA County Office can provide more details about this.

Who determines eligibility?

The county or area committee of FmHA determines eligibility of applicants. The committee consists of three persons who know local business and credit conditions. Before acting on an application, committee members may ask applicants to meet with them or they may visit the farm.

What are the amounts and terms of loans?

Insured loans up to \$100,000 and guaranteed loans up to \$200,000 may be made to finance recreation equipment and operating expenses. The interest rate is determined periodically. Repayments are scheduled over 1 to 7 years; in exceptional cases loans may be rescheduled for up to 7 years.

Longer term loans also are available. The maximum outstanding principal for insured loans is \$200,000 and \$300,000 for guaranteed loans. The maximum repayment term is 40 years. The amount borrowed cannot exceed the market value of the property, minus debts. The interest rate changes periodically.

A borrower may make large payments in years of high income to build a reserve that will keep the loan in good standing during years of low income. Each borrower must refinance the unpaid balance of the loan with private lenders when able to do so at reasonable rates and terms.

What security is required?

Credit for 1-7 year loans is secured by liens on chattel property, including equipment, inventory and fixtures. A longer term loan is generally secured by mortgage on the farm.

May a borrower use other credit?

Yes. Borrowers are encouraged to obtain needed credit from other sources when it is available to them at reasonable rates and terms.

Does it cost anything to apply for a loan?

No. If a loan is made, however, and if a real estate mortgage is taken, the borrower pays for legal services necessary to establish a satisfactory

title to the farm. The borrower also pays fees charged by the county government for lien searches and for filing and recording the security instruments held by Farmers Home Administration. These costs may be included in the loan.

Where can you apply for a loan?

Applications may be made at the FmHA County Office serving the area in which operations will be conducted.

Look in the telephone directory under "U.S. Department of Agriculture" for the local office, or write Farmers Home Administration, U.S. Department of Agriculture, Washington, D.C. 20250.

How do recreation facilities loans aid in rural areas development?

These loans act as a catalyst in stimulating development of rural areas. Today, there is a pressing need in the United States for additional healthful outdoor recreation opportunities. With the prospect of longer nonworking weekends, shorter workdays, improved highways, longer vacations, and earlier retirements, the demand for outdoor recreation should continue to expand. Recreation facilities loans help meet this need. They also help farm families acquire the resources they need to improve their operations, raise their standards of living, and increase their incomes.

What other loans are made by FmHA?

Loans are made to purchase and develop farms, buy livestock and equipment, pay farm and home operating expenses, build and improve rural homes and essential farm buildings, provide rental housing, develop rural community water and waste disposal systems and other essential community facilities, provide business and industrial loans, build housing for farm laborers, develop watersheds, refinance debts, carry out soil conservation measures, and to provide credit to farmers suffering from a natural disaster such as hail, flood or drought.

Supersedes Program Aid No. 1014 "Recreation Facilities."

April 1979

